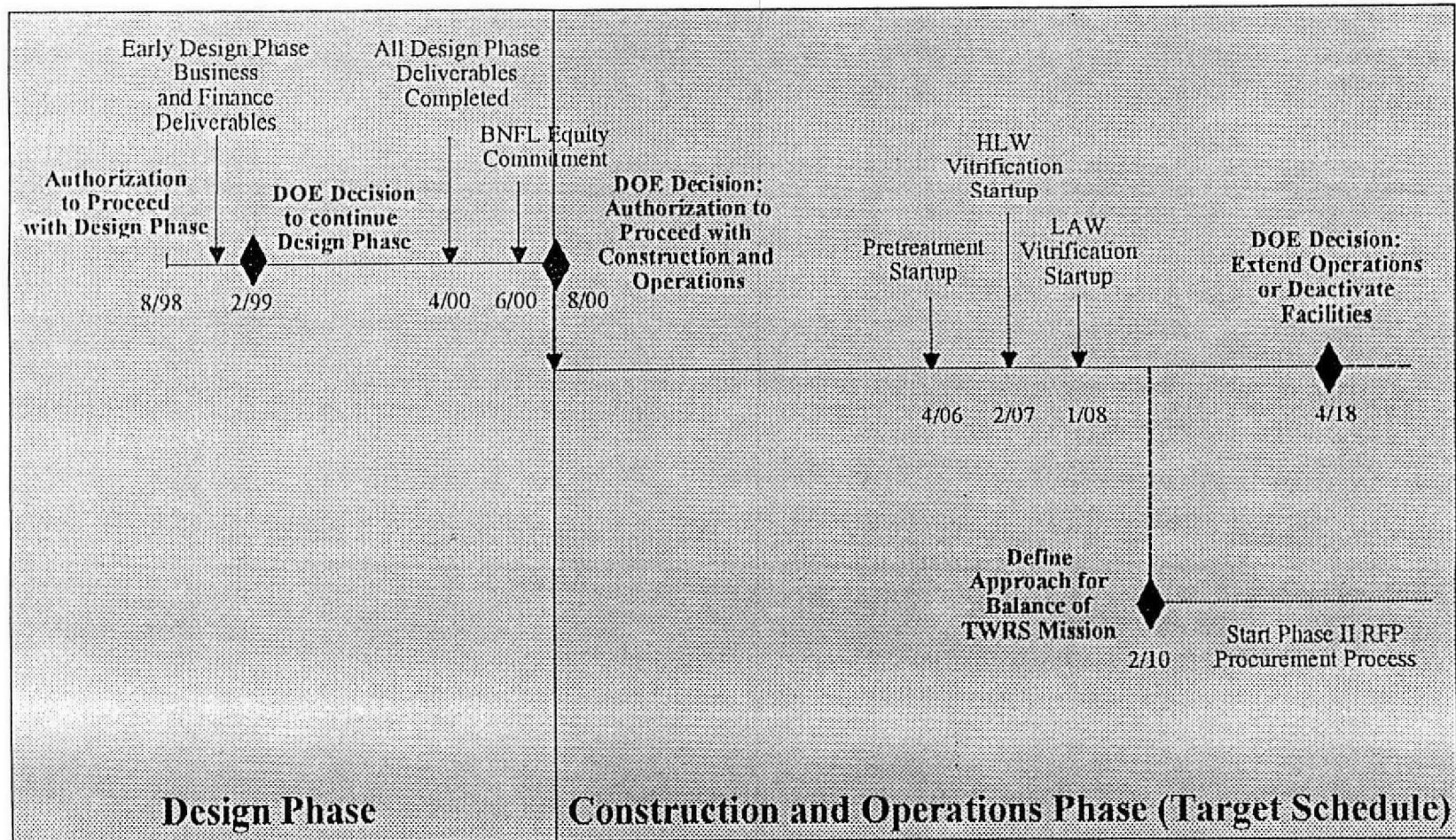
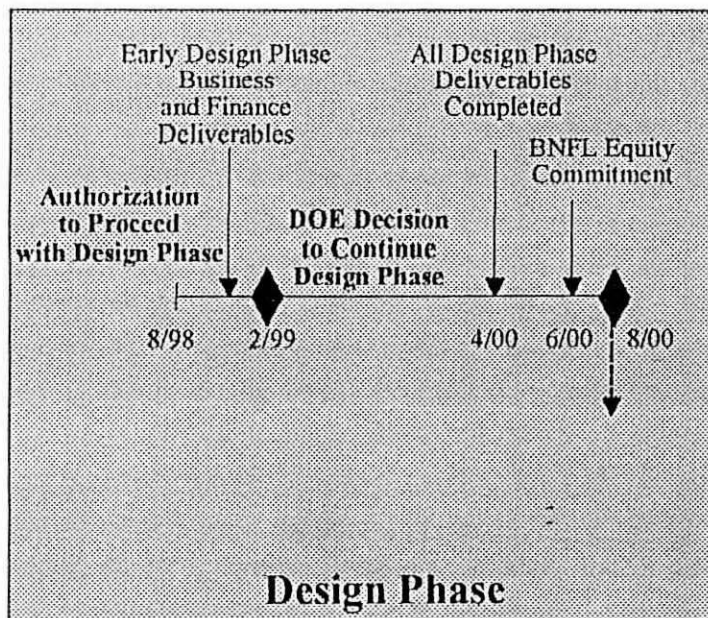


Part B Timeline

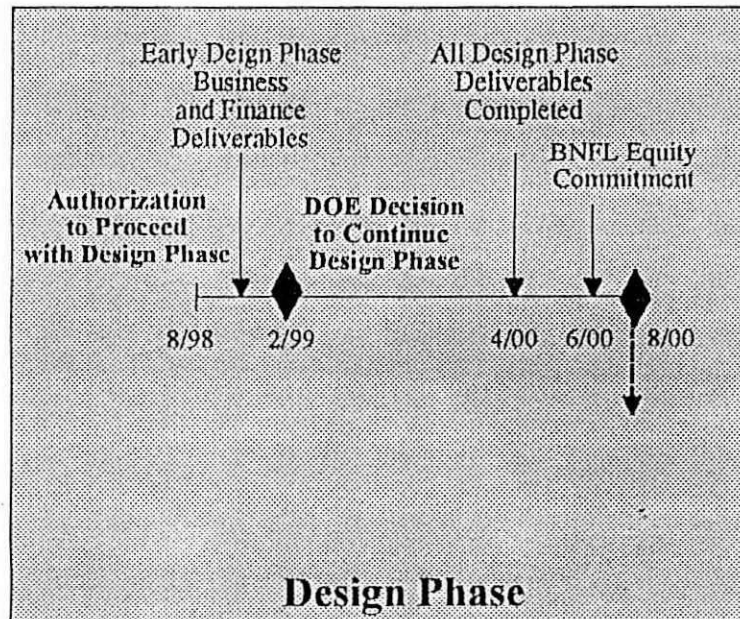


Key Deliverables 4-6 Months into Design Phase



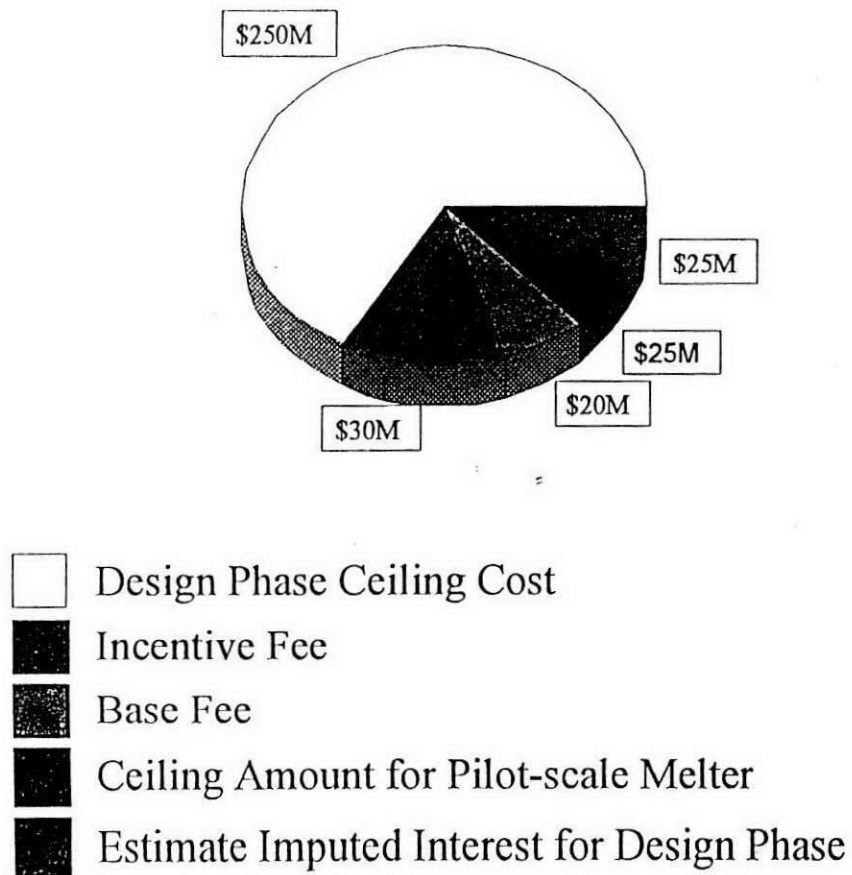
- **Develop methodologies for**
 - pricing and repricing (H.45)
 - equitable adjustment (H.5)
 - idle facilities payment (H.30)
 - contingency management (H.45)
 - sharing of cost savings (H.45, H.47)
- **Initial project schedule and cost estimate**
- **Financial system/certified cost or pricing data**

Key Deliverables at End of Design Phase



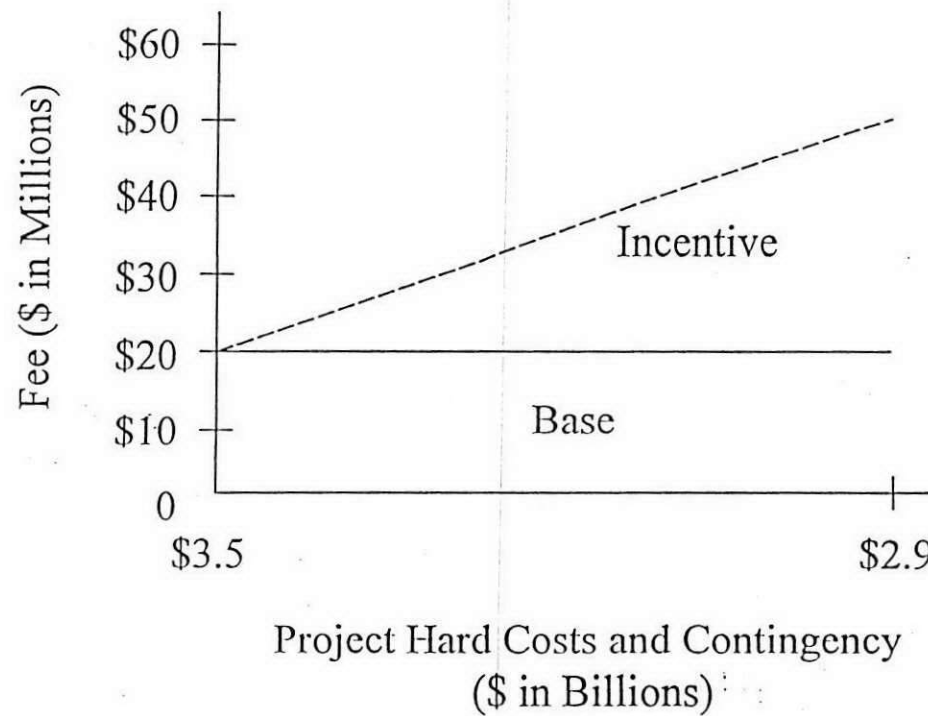
- ~30 percent process and facility design (Standard 2)
- Final project schedule and cost estimate (Standard 1)
- Regulatory and permitting deliverables (Standard 4)
- Documentation required for project finance (Standard 6)
- Fixed unit prices for services (Standard 7)
- Structure of project company (Standard 6 & H.39)
- Equity commitment (Standard 6 & H.44)

Design Phase Contract Price Structure

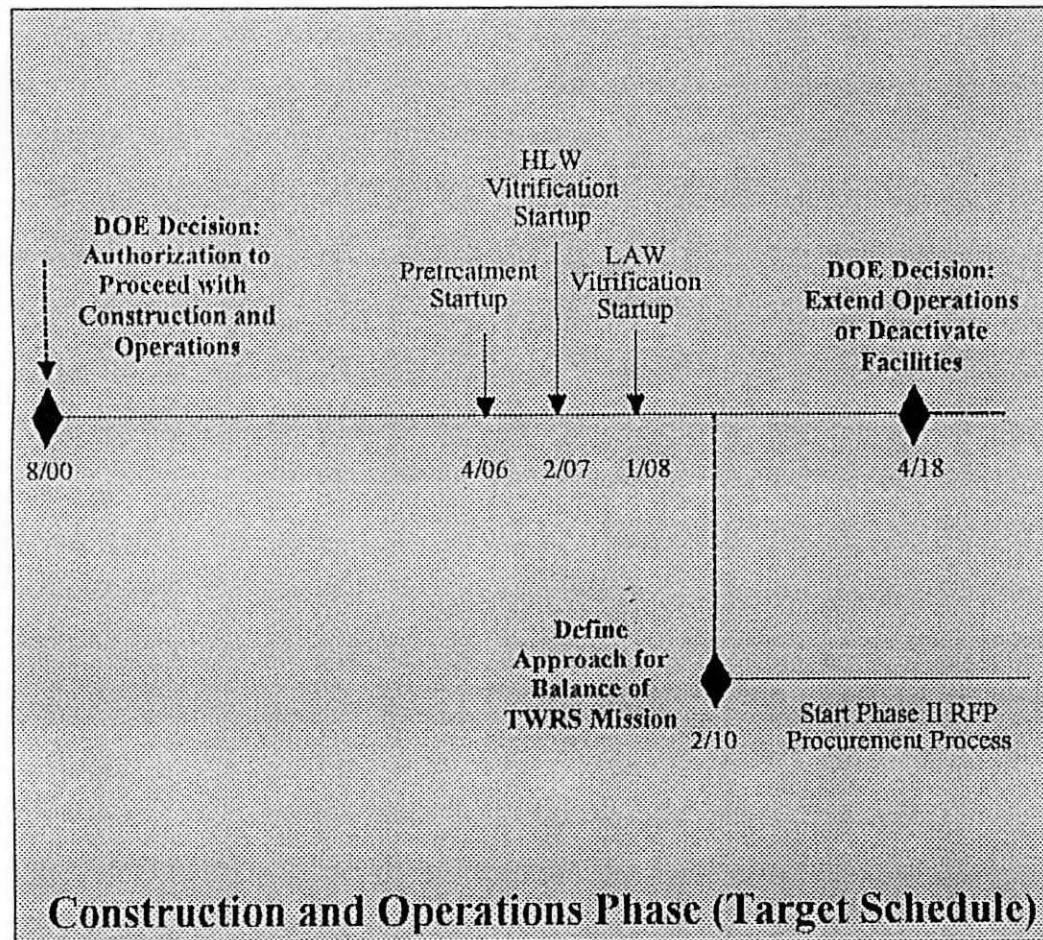


- Design Phase will be performed within ceiling price --total projected maximum cost of design phase is \$350M
- Base and incentive fees are earned based on performance and paid at end of design phase
 - \$20M base fee is earned for financial closure
 - up to \$30M in incentive fee is earned for cost reductions
- Payment to BNFL at the end of the design phase is only earned fees
- Reasonable, allowable, and allocable design phase costs within ceiling price limit move to construction and operations phase

Fees for Successful Financial Closing

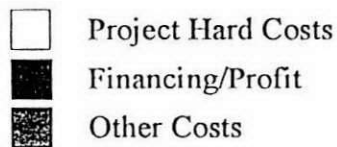
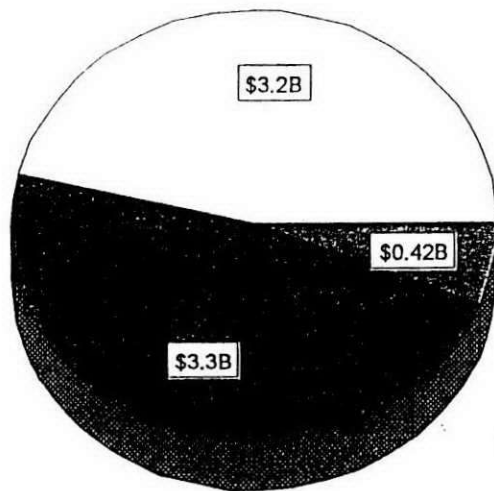


Key Features of Construction and Operations Phase



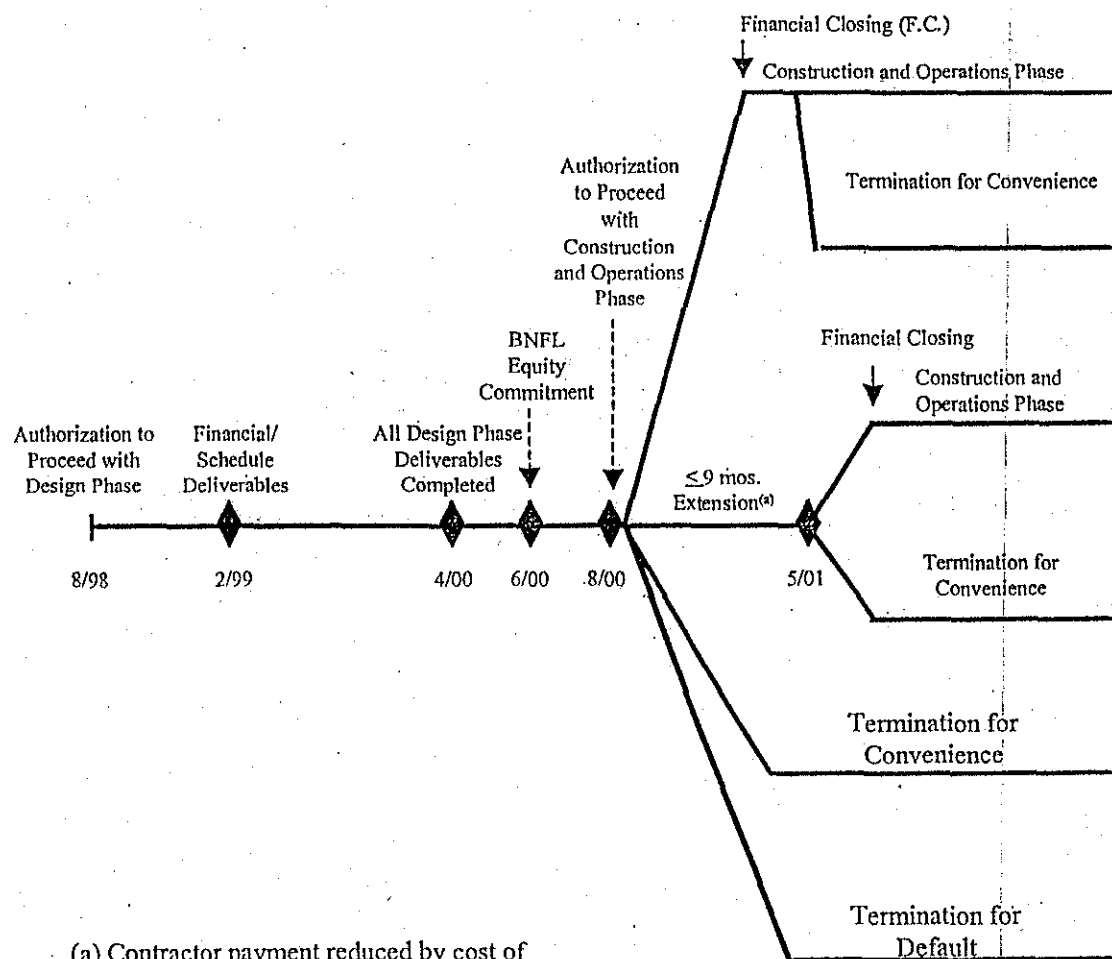
- Privatized facilities
- Minimum order quantity:
 - 6000 units of LAW (~5600 MT sodium)
 - 600 canisters of HLW
- Mix of financing will include equity and recourse debt, and potentially non-recourse debt
- Fixed unit-prices for services
- Assignment of Contract to new single-purpose limited liability company
- Price adjustment mechanisms at work
 - Upward pressure:
 - Uncontrollable Circumstances
 - Idle Facilities
 - Economic price adjustment
 - Downward pressure:
 - Sharing of cost savings

Target Price Structure



- \$6.9B construction and operations phase target price and assumptions established at start of design phase
- DOE has full access to information developed in design phase to provide basis to analyze risk and pricing throughout design phase
- Construction and operations target price does not establish contractual ceiling -- fixed unit prices that result from final pricing can move up and down
- Ceiling price could be established for construction and operations phase -- but would result in significant risk premium due to limited information and high uncertainty at the start of design phase

Design Phase Outcomes



Fee	Allowable Costs	Pilot Melter Up to \$25M
<ul style="list-style-type: none"> \$20M base 0 - \$30M incentive 	<ul style="list-style-type: none"> Projected at \$275M design phase costs 	Yes
<ul style="list-style-type: none"> Keep Pre-F.C. fee, plus T for C for Post F.C. work 	<ul style="list-style-type: none"> Projected at \$275M design phase costs Allowable construction and operations phase cost 	Yes
<ul style="list-style-type: none"> \$20M base 0 - \$30M incentive 	<ul style="list-style-type: none"> Projected at \$275M design phase cost less net CoC^(a) plus costs for design phase extension (estimated at \$20M per month) 	Yes
<ul style="list-style-type: none"> T for C allowable fee 	<ul style="list-style-type: none"> Projected at \$275M design phase costs less net CoC^(a) plus costs for design phase extension (estimated at \$20M per month) 	Option
<ul style="list-style-type: none"> T for C allowable fee 	<ul style="list-style-type: none"> Projected at \$275M design phase costs 	Option
Termination for Default <ul style="list-style-type: none"> T for D Settlement Exposure to reprourement costs No base or incentive fee Potential for partial cost recovery plus earned fee 		

(a) Contractor payment reduced by cost of capital (CoC) for payments of project costs made by the government during delay period

DOE's Management of Project

- DOE Project Management Team with specialized expertise -- technical, financial, legal, and contract administration -- provides integrated management for BNFL and M&I Contractor
- Direct contract between DOE and BNFL
- Radiological, nuclear, and process safety regulated through DOE Office of Radiological, Nuclear, and Process Safety for TWRS Privatization (Regulatory Unit)
- Independent reviews at key project milestones and decisions

DOE's Ability to Provide Feed and Services

- M&I Contractor Readiness-To-Proceed (RTP) was reviewed and accepted by DOE and independent reviewers
- RTP assessment was conservative -- based on assumption of two contractors beginning processing in 2002 -- currently being updated
- ~~Self-assessment and non-proponent review of DOE RTP were performed -- identified additional staffing needs~~
- Waste needed to feed BNFL has been characterized and has been or will be re-characterized to ensure it meets feed specifications

Principal Areas of Risk to DOE

- Management/staffing of the contract
- Integrated management - product delivery
- Congressional funding
- Interpretation of termination for convenience as “non-guarantee”
- Regulatory process (OSHA or Regulatory Unit)
- Contract Definitization
 - H.37, 28 Equitable Adjustment
 - H.30 Idle Facilities
 - H.5 Economic Price Adjustment
 - H.45 Pricing and Repricing
 - H.6 Price Adjustment for Waste Minimization
- Negotiations for construction and operations phase fixed-unit prices for services and required contract changes

Closing

- DOE believes that it has negotiated a contract that
 - Provides a viable, realistic path forward for Hanford tank waste treatment
 - Is likely to result in cost-effective waste treatment
 - Provides expansion capability for Phase II requirements

Morrison, Ronald D (Ron)

From: Morrison, Ronald D (Ron)
Sent: Wednesday, July 08, 1998 11:00 AM
To: HAASS, CAROLYN; KINZER, JACKSON; RASMUSSEN, JAMES; SANDERS, GEORGE; SHERWOOD, DOUG; WILSON, MICHAEL
Cc: ABDUL, WAHED; ADAIR, WILLIAM; ALEXANDER, STEVEN; ALLEN, DALE; ARNOLD, LARRY; ASHLEY, DAVID; AUSTIN, BECKY; BOSTON, HARRY; BOYLES, VICTOR; BRECHBILL, SUSAN; BROWN, NEIL; BROWN, WALTER; BRYSON, DANA; BUDWEG, HOWARD; BURTON, JUDITH; CASH, ROBERT; DAHL-CRUMPLER, SUZANNE; DELOZIER, MARY; DOVE, AUDREY; ELDHARDT, KRENA; ERLANDSON, BRADLEY; EVANS, ROBERT; FALETTI, SHARON; FRANZ, GARY; FURLONG, PETER; GOODY, CHRISTINE; GROENDYKE, CRAIG; HALL, LINCOLN; HANSEN, RICHARD; HINTZEN, KATHRYN; HOERTKORN, THOMAS; HUNEMULLER, MAUREEN; IRBY, DENNIS; JACKSON, DALE; JACOBSON, RALPH; JENSEN, ROGER; KEARNS, PAUL; KINMARK, JOY; KRAMER, OWEN; KRISTOFZSKI, JOHN; KRUGER, PAUL; LAMONT, PHILIP; LERCHEN, MEGAN; MAYER, EDWARD; MCCLURE, GAIL; MCCLURE, TAMMIE; MCGINLEY II, EDWARD; MCLAUGHLIN, MARY; MENDOZA, ESTELLA; MIERA, FELIX; MORRISON, RONALD; MURKOWSKI, RUSSELL; NAVARRO, JAIME; PACHECO, CAROLINA; PAYNE, MICHAEL; PENN, EDWARD; PESCHONG, JON; PIPER, LLOYD; POPPITI, JAMES; POWELL, ROGER; POYNOR, CATHERINE; PRICE, SUSAN; RAMSAY, MARK; REEP, IRVIN; REWINKEL, DENNIS; ROEDER-SMITH, LYNNE; ROSS, WILLIAM; ROTHENBERGER, GARY; ROYACK, MICHAEL; SAUERESSIG, DAVID; SHERWOOD, ANA; SHOUP, ROBERT; SKINNARLAND, EINAR; SOHN, CAROL; STANLEY, ROGER; STEVENSON, MARC; STONE, ALEX; STRODE, JAMES; TAYLOR, WILLIAM; TOWNSEND, RUTHANN; UMEK, ANTHONY; VENEZIANO, TIMOTHY; VOOGD, JEFFRY; WAGNER, VERONICA; WASHENFELDER, DENNIS; WILLIAMS, JANICE; WILLIAMSON, BARBARA; WRZESINSKI, WENDELL; YATES, MICHAEL; YERXA, JON
Subject: Next TWRS Tri-Party Agreement Milestone Review is July 28, 1998.

The next TWRS Tri-Party Agreement Milestone Review Meeting will be:

Date: July 28, 1998
Place: EPA Conference Room, 712 Swift Blvd., Suite 5
Time: 9:30 a.m. - 12:00 noon

The next TPA milestone Review with RL, EPA and Ecology management, will review activities related to the Tank Waste Remediation System. Please use the SMS or equivalent format, for the milestone review.

- A. In order to provide consistency amongst the various presentations, the information should be presented in the following sequence:
 - 1. Milestone description and deliverable.
 - 2. RL Program Managers Assessment of contractor performance.
(The "Stoplight Chart" or equivalent project chart may be used).
 - 3. Significant accomplishments last three months.
 - 4. Significant planned actions next six months.
 - 5. Budget/cost status.
 - 6. Issues.
 - 7. Non-TPA regulatory issues/potential impact to TPA.
- B. The primary focus of the presentation shall be on "Issues"; items A.6 and A.7 above.
- C. Please provide 20 copies of handouts.

D. Use of overheads is at presenters discretion.

E. Milestone areas to be covered:

M-32-00, DST Integrity (TWRS scope only status)
M-40-00, Mitigate/Resolve Tank Safety Issues
M-41-00, Complete SST Interim Stabilization
M-43-00, Complete Tank Farm Upgrades
M-44-00, Characterization
M-45-00, Complete Closure of all SST Farms
M-46-00, DST Space Evaluation
M-50-00, Pretreatment
M-51-00, Vitrification of HLW
M-60-00, Vitrification of LLW
M-61-00, Alternative Path for Privatization
M-90-00, LLW/HLW Interim Storage and Disposal Facility.
Other Topics

F. The presenters will include their regulatory counterparts in the preparation of the TPA Milestone presentation (see attached WP file containing an "IAMIT Directive" on this subject).

As a reminder, the IAMIT has approved the use of a one page form to provide milestone information in place of a full presentation.

There are a few qualifiers though:

1. There must be no significant issues and little activity ongoing with the subject milestones.
2. You will have to obtain the lead regulatory agency project managers signature on the form denoting his/her agreement that there are no significant issues and little activity to report on.
3. The signed form is to be submitted to the IAMIT one week before the milestone review meeting.

Should this be applicable to any of the milestones scheduled for review contact Ron Morrison for the applicable form to use.

If there are any questions, please contact Carolyn Haass of RL on 372-2731, George Sanders of RL on 376-6888 or Ron Morrison of FDH on 376-6574.



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